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**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION SEP - 5 2001**

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)	
Petition of WorldCom, Inc. Pursuant)	
to Section 252(e)(5) of the)	
Communications Act for Expedited)	
Preemption of the Jurisdiction of the)	CC Docket No. 00-218
Virginia State Corporation Commission)	
Regarding Interconnection Disputes)	
with Verizon-Virginia, Inc., and for)	
Expedited Arbitration)	

REBUTTAL TESTIMONY OF RON ZIMMERMANN

(Issue IV-45)

September 5, 2001

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1 **Q. Please summarize the language that WorldCom has proposed.**

2 A. WorldCom’s proposed Section 3.1 would require that the parties make their
3 respective fraud prevention features that may be embedded within the network available
4 to the each other. It is my understanding that Verizon has agreed to this language.
5 WorldCom’s proposed Section 3.2 would require the uncollectible or unbillable revenues
6 from fraud and resulting from, but not confined to provisioning, maintenance, or signal
7 network routing errors to be the responsibility of the party that caused the error. And, its
8 proposed Section 3.3 would provide that neither party is liable to the other for any fraud
9 incurred in connection with service offerings, but that each party must indemnify and
10 hold the other harmless for any losses payable to IXC carriers caused by “clip on” fraud
11 incurred as a result of unauthorized access to an indemnifying party’s Service Area
12 Concept.

13

14 **Q. What is the substance of the Verizon Direct Testimony to which you are**
15 **responding?**

16 A. Verizon argues in its Direct Testimony that, while it “will continue to cooperate
17 with any CLEC to minimize fraud,” it is not required to meet any particular security
18 demands made by WorldCom. Verizon GT&C Panel, 11 (citations omitted). It is
19 opposed to the language proposed by WorldCom because, as Verizon sees it, WorldCom
20 would “shift the burden of liability . . . to Verizon for losses occasioned by certain types
21 of fraud.” *Id.* at 12. More specifically, it argues that each party should incur the lossess
22 associated with fraud committed against their respective customers, and that Verizon
23 should not be required to protect against fraud along its “massive” network. *Id.* It also

1 asserts (although I assume this is mere rhetoric) that “WorldCom would have Verizon
2 station guards at every telephone pole, NID, cabinet and the like. . . .” Id. Finally,
3 Verizon cites several Commission orders that it claims support its position.

4
5 **Q. What is WorldCom’s response to Verizon’s Direct Testimony on Issue IV-**
6 **45?**

7 A. As WorldCom explained in its Direct Testimony, Verizon fails to recognize that
8 WorldCom and Verizon are not in the same position. Verizon alone owns and controls
9 access to its own network. WorldCom is simply unable to monitor the network and
10 ensure that necessary security precautions are being taken.

11 Indeed, despite the existing agreement’s terms that require Verizon to provide
12 WorldCom with access to their on-line fraud detection system, Verizon has not done so.
13 At a meeting held on April 14, 1998 at the Verizon Fraud Prevention Center in Hunt
14 Valley, Maryland, Verizon told WorldCom that it had installed a new platform, and that
15 constraints in that platform precluded WorldCom from accessing Verizon’s fraud
16 detection system. Accordingly, WorldCom has no ability to do the on-line monitoring
17 necessary to quickly and efficiently detect and prevent fraud. Verizon alone has access to
18 such systems, and therefore Verizon should be required to bear the burden of loss
19 associated with the failure of such systems.

20 WorldCom, as a new entrant that does not have access to these systems is in no
21 position to protect itself from third parties that perpetrate fraud against WorldCom
22 customers through Verizon’s facilities and network. For this reason, Verizon has
23 historically performed investigations to determine the circumstances surrounding fraud.

1 WorldCom simply cannot do so. It would be commercially unreasonable to make
2 WorldCom liable for fraud that it can neither monitor nor protect itself against.

3

4 **Q. Are you aware of any similarly situations in which Verizon requires**
5 **WorldCom to indemnify Verizon?**

6 A. Yes. Despite Verizon's indignant testimony, Verizon requires WorldCom to
7 absorb the costs of fraud committed against Verizon customers when the fraud takes
8 place over WorldCom's long distance network. In the long-distance arena Verizon
9 purchases WorldCom's accounts receivable pursuant to a billing and collection
10 arrangement. In certain circumstances, a Verizon end-user may suffer fraud that occurs
11 on WorldCom's network. For example, a Verizon calling card number may be stolen and
12 used to place long-distance calls on WorldCom's network. Although WorldCom verifies
13 the validity of the number before placing the call, if it is later determined that the call was
14 fraudulent, Verizon recourses that amount against WorldCom when settling the parties'
15 accounts – even though the end-user customer is a Verizon customer, simply because the
16 fraud was perpetrated on WorldCom's network. Thus, Verizon seeks to impose costs on
17 WorldCom in the local arena that it itself refuses to bear in the long-distance arena.

18

19 **Q. Do the decisions Verizon cites support its argument?**

20 A. No. Verizon's claim that the Commission has not placed a burden on it "to meet
21 any particular security demands made by CLECs," including WorldCom is a non
22 sequitur. The Commission decisions to which Verizon relies for such a proposition are
23 simply inapplicable. See Verizon GT&C Panel, 11 (citing Advanced Services Order II,

1 at ¶¶46-48; Local Competition Order, at ¶ 598). The passage in the first case to which
2 Verizon refers concerns whether “LECs may impose security arrangements that are as
3 stringent as the security arrangements that incumbent LECs maintain at their own
4 premises.” Advanced Services Order II, at ¶ 47. The passage in the second case to which
5 it cites concerned the question of whether the Commission would “permit LECs to
6 require reasonable security arrangements to separate an entrant’s collocation space from
7 the incumbent LEC’s facilities.” Local Competition Order, at ¶598. Those cases concern
8 security arrangements involved when, for example, a new entrant collocates in an
9 incumbent’s facilities. The question here is plainly different. Here, WorldCom asks the
10 Commission to consider whether it should assume responsibility for fraud that is
11 committed on Verizon’s network when WorldCom does not have control over access to
12 Verizon’s network or equipment and cannot investigate malfeasance committed on
13 Verizon’s network or equipment. It is WorldCom’s position that the resolution of that
14 question should not turn on the identity of the customer – it should turn on the identity of
15 the carrier in the best position to deter the fraud. Because Verizon has control over the
16 facilities and networks relevant here, it is Verizon that should bear the risk of a third
17 party’s misuse of those facilities.

18
19 **Q. What does WorldCom request of the Commission on this issue?**

20 A. WorldCom requests that the Commission order the inclusion of WorldCom’s
21 proposed Sections 3.2 and 3.3 into the Interconnection Agreement.

1 **Q.** **Does this conclude your testimony?**

2 **A.** Yes.

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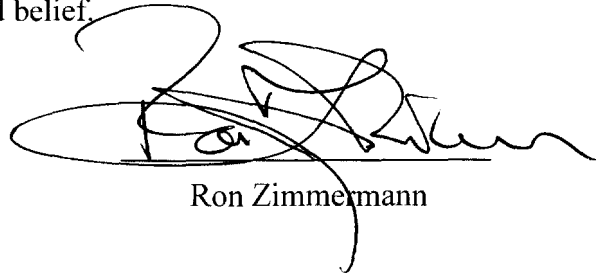
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AFFIDAVIT OF RON ZIMMERMANN

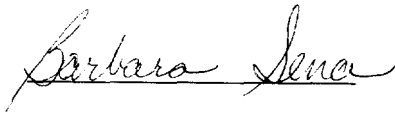
The undersigned, being of lawful age and duly sworn on oath, certifies the following:

I, Ron Zimmermann, declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.



Ron Zimmermann

Subscribed and Sworn to before me this
4 day of September, 2001.



Notary Public

My Commission Expires 10-06-2001